

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 EB-08 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 STR-04 ITC-01 USIA-06 PRS-01 SP-02 FEAE-00
OMB-01 /109 W

-----131510Z 054795 /46

R 130615Z APR 77
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 893
INFO USMISSION GENEVA
USDEL MTN GENEVA
USMISSION OECD PARIS

C O N F I D E N T I A L ISLAMABAD 3562

E.O. 11652: GDS
TAGS: EFIN, ETRD, PK
SUBJECT: PAKISTAN IMPORT SURCHARGE AND IMF STANDBY

REF: (A) STATE 68485, (B) 76 ISLAMABAD 6306

1. EMBASSY HAS GONE THROUGH RELEVANT GOP PUBLICATIONS AND MADE INFORMAL INQUIRIES OF OFFICIALS WHO DEAL WITH GATT CONCERNING THE MARGIN REQUIREMENT AND IMPORT SURCHARGE REFERRED TO IN REF A.
2. ON THE SURCHARGE, WE BELIEVE ALL THE RELEVANT INFORMATION WAS REPORTED IN REF B. GOP COMMERCE MINISTRY DEPUTY SECRETARY (INTERNATIONAL TRADE ORGANIZATIONS) BAJWA, WHO DEALS WITH GATT, EXPLAINED THAT WHEN THE SURCHARGE WAS FIRST INTRODUCED AS A REVENUE RAISING MEASURE LAST JUNE, THE GOP HAD TAKEN THE POSITION THAT IT WAS NOT NECESSARY TO NOTIFY THE MEASURE IN GATT. HE SAID HE WOULD BE LOOKING INTO THIS QUESTION AGAIN.
3. MARGIN REQUIREMENT: INFORMATION CULLED FROM VARIOUS GOP

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PUBLICATIONS INDICATES THAT A 25 PERCENT DEPOSIT REQUIREMENT WAS INTRODUCED EFFECTIVE JANUARY 9, 1971 FOR THE OPENING OF LETTERS OF CREDIT ON ALL IMPORTS EXCEPT INDUSTRIAL MACHINERY. THIS WAS A STATE BANK REQUIREMENT DIRECTED AT THE COMMERCIAL BANKS WHICH ISSUED LETTERS OF CREDIT. AS OF MID-1975, THE GOP IN ITS ANNUAL ECONOMIC SURVEY STATED THAT THIS REQUIREMENT WOULD "CONTINUE TO APPLY"

ON ALL IMPORTS EXCEPT INDUSTRIAL MACHINERY, AGRICULTURAL MACHINERY, EDIBLE OILS, INDUSTRIAL RAW MATERIAL AND SPARE PARTS, CRUDE OIL, POL PRODUCTS, AND IMPORTS ON THE "TIED LIST." AS A PRACTICAL MATTER, THIS LEAVES LITTLE BESIDES CONSUMER GOODS TO WHICH THE MARGIN REQUIREMENT WOULD APPLY. THE EMBASSY HAS NO INDICATION THAT THE MARGIN REQUIREMENT HAS BEEN REEXTENDED TO RAW MATERIALS, AS THE FINANCE MINISTRY LETTER TO THE IMF HAD INDICATED.

4. WHEN WE QUERIED THE GOP COMMERCE MINISTRY ABOUT THE MARGIN REQUIREMENT, THE RESPONSE WAS INITIALLY SOMEWHAT CONFUSED, WITH ONE KEY OFFICIAL BELIEVING THIS WAS A SELF-IMPOSED REQUIREMENT BY THE COMMERCIAL BANKS. SUBSEQUENTLY BAJWA CALLED TO SAY THAT HE HAD BEEN TOLD BY THE STATE BANK THAT THE MARGIN REQUIREMENT WAS ORIGINALLY INTENDED AS A POLICING MEASURE TO PREVENT IRRESPONSIBLE IMPORTERS FROM PLACING ORDERS, OPENING LETTERS OF CREDIT, AND THEN NOT LIFTING THEIR GOODS. AS SUCH, HE DID NOT BELIEVE THAT THIS WAS A MATTER WHICH WOULD BE OF CONCERN TO GATT.

5. WHEN ASKED ABOUT THE STATEMENT IN THE FINANCE MINISTER'S LETTER, BAJWA SAID HE HAD NOT SEEN THE LETTER BEFORE, AND AGREED THAT THIS RAISED QUESTIONS ABOUT THE NEED FOR NOTIFICATION TO GATT. HE PROMISED TO LOOK INTO THIS QUESTION.

6. IT SEEMS TO US PLAUSIBLE THAT THE GENESIS OF THE DEPOSIT REQUIREMENT WAS AS DESCRIBED TO US BY THE COMMERCE

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MINISTRY. HOWEVER, THE PHRASING OF THE FINWZCE MINISTRY IMF LETTER, AND THE FACT THAT THE LIST OF COMMODITIES TO WHICH IT APPLIED HAS BEEN CHANGED A NUMBER OF TIMES, SUGGEST THAT THE GOP MAY HAVE FOUND IT CONVENIENT TO USE THIS TOOL AS AN IMPORT RESTRAINT DEVICE AS WELL FROM TIME TO TIME. IT IS DIFFICULT TO ESTIMATE THE LIKELY TRADE EFFECT OF THE REQUIREMENT. SINCE IT HAS BEEN IN EFFECT FOR AT LEAST 6 YEARS ON CONSUMER GOODS, AND SINCE CONSUMER GOODS IMPORTS ARE IN ANY CASE THOSE MOST HEAVILY REGULATED BY THE GOP, WE SUSPECT THAT WHATEVER TRADE EFFECT THE INITIAL IMPOSITION OF THE REQUIREMENT MAY HAVE HAD HAS ALREADY BEEN ABSORBED. BYROADE

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Message Attributes

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Current Classification: UNCLASSIFIED
Concepts: POLICIES, PUBLICATIONS, IMPORT CONTROLS, FEES
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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